

EMCURE PHARMACEUTICALS LTD

03-07-2024 TO 05-07-2024

Industry: Pharmaceuticals

Price Band: ₹960 - 1008

Recommendation: Subscribe for Long Term

Post Implied Market Cap: – ₹18,182 - ₹19,061 Cr

Key Data

Issue Size (₹ Cr)	1,897 - 1,952
Fresh (₹)	800
OFS (₹)	1,152
No. of shares offered	19,663,481 - 19,266,170
Face Value (₹ /share)	10
Bid Lot	14

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	08-07-2024
Refunds/Unblocking ASBA Fund	09-07-2024
Credit of equity shares to DP A/c	09-07-2024
Trading commences	10-07-2024

Shareholding (No. of shares)

Pre-Issue	181,152,116
Post Issue (Lower price band)	189,495,658
Post Issue (Higher price band)	189,098,347

Shareholding Pattern

Promoter:	
Pre Issue	54.42%
Post Issue	51.22%

Promoter Group:	
Pre Issue	28.78%
Post Issue	27.02%

Public - Selling S/h:	
Pre Issue	14.48%
Post Issue	9.36%

Public - Others:	
Pre Issue	2.31%
Post Issue	10.93%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Axis Capital, Kotak Mahindra Capital, Jefferies India, J. P. Morgan India

Registrar: Link Intime India Pvt. Ltd

Listing: BSE & NSE

Research Analyst

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About the Company

Emcure Pharmaceuticals (Emcure) is a leading developer, manufacturer, and global marketer of a wide range of pharmaceutical products across major therapeutic areas. As the 13th largest pharmaceutical company in India by domestic sales for MAT FY24 and the 4th largest in its covered markets, Emcure holds significant market share. It is also the top company in India for gynecology and HIV antivirals by domestic sales. Emcure is research-driven, with a differentiated product portfolio that includes orals, injectables, and biotherapeutics, focusing on chronic and sub-chronic therapeutic areas. The company operates 13 manufacturing facilities across Maharashtra, Gujarat, Sikkim, Karnataka, and Jammu and Kashmir.

Investment Rationales

- Well-placed to leverage the position in the domestic market:** Emcure is a foremost pharmaceutical company in India, with 48.28% of its FY24 sales coming from the domestic market. The company has outperformed the Indian Pharmaceutical Market (IPM) in several key therapeutic areas from MAT FY20 to MAT FY24, including gynecology, HIV antivirals, and oncology. Emcure holds a market presence in 52.66% of the IPM and ranks among the top five in various therapeutic areas. Its growth is fuelled by relationships with global innovators and a strong product portfolio. Emcure is the market leader in the gynecology sector with a 13.53% share and a robust presence in women's healthcare. The company has distinct management for its acute and chronic businesses and boasts extensive marketing and distribution capabilities, with over 5,000 personnel and stockists.
- Demonstrated Capabilities of Building Brands:** The company has a strong track record of building successful brands, with 6 among the top 300 in the Indian Pharmaceutical Market. 16 of its top 20 brands are ranked among the top three in their respective therapeutic areas for Domestic Sales in MAT FY24. The company leverages its brand strength and leadership in key areas to launch related products and expand into adjacent therapeutic areas.
- Large, Diversified and Fast-Growing Product Portfolio in International Markets:** The company has expanded its international presence through inorganic growth, with sales outside India contributing 51.72% of FY24 revenue. No single geography outside India, Europe and Canada accounted for more than 5% of revenue for FY24, FY23 and FY22. The international portfolio includes specialty branded generics, injectables and generic products. Key acquisitions include Marcan Pharmaceuticals in Canada (2015) and Tillomed Laboratories in the UK (2014), with significant portfolio growth post-acquisition. In November 2023, Marcan acquired a majority stake in Mantra Pharma Inc. The company has launched biotherapeutic and chirally pure products in several countries. Revenue from international sales grew at a CAGR of 13.97% from ₹ 2,650.72 Cr in FY22 to ₹ 3,443.35 Cr in FY24.
- Strong R&D capabilities driving differentiated portfolio of products:** The company has strong in-house R&D expertise, developing a differentiated pharmaceutical product portfolio for competitive advantage. Their R&D strategy focuses on creating technology platforms and building multiple products on them. Out of five R&D facilities, three focus on formulations, one on API research and one on biopharmaceuticals. As of March 31, 2024, the company employed 548 qualified scientists and held 220 granted patents, with 30 pending applications and 102 DMFs for APIs with the USFDA. Only 17.39% of domestic sales were from products listed on the NLEM, minimizing exposure to price controls.

Risk

- Ongoing civil proceedings in the United States, including class-action antitrust cases.
- Extensive government regulations in India and international markets.

MView

We believe Emcure Pharmaceuticals Ltd IPO gives investors an opportunity to invest in the leading pharmaceutical company in India in the gynecology and HIV antivirals therapeutic areas based on domestic sales for MAT FY24. We think the company's diverse and robust portfolio, including leadership in gynecology, cardiovascular, and oncology, positions it well for sustained growth. As its proven ability to build successful brands is evident, with six of its brands among the top 300 selling in the Indian Pharmaceutical Market and 16 of its top 20 brands ranking among the top three in their respective therapeutic areas.

By looking at the financials, the company has shown a subdued growth in revenue from operations and a de-growth in net profit in FY 2023 & FY 2024. This decrease in margins is attributed to the increase in Medical Representatives (MR) which led to 100-200 bps pressure for FY24 financials while going forward those MR's would contribute to penetrate markets and generate business. Those lost margins would regain in next 12 months if expansion goes inline with company business plan.

On valuation parse at the upper band of ₹ 1008/-, the issue is asking for a Market cap of ₹ 19061/- cr. Based on FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking a PE of 36.13x which appears fairly priced compare to its listed industry peers which are trading at an average of PE ~40x, which gives a decent room of listing gains due to its niche positions and product mix between listed peers and Emcure pharmaceuticals Ltd. Given its strategic focus on high-growth therapeutic areas, innovative product portfolio, successful global expansions coupled and solid R&D foundation, Emcure is well-positioned for sustained growth. Hence, we recommend our investors to "SUBSCRIBE" the Emcure Pharmaceuticals Ltd IPO for a long term perspective.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at March' 31		
	2024	2023	2022
Equity Share Capital	181.15	180.85	180.85
Net Worth	2,952.28	2,501.13	1,987.55
Total Borrowings	2,091.94	2,202.42	2,102.19
Revenue from Operations	6,658.25	5,985.81	5,855.39
Revenue Growth (%) as stated	11.2%	2.2%	-
EBITDA	1,276.78	1,220.94	1,393.38
EBITDA Margin (%)	19.01%	20.24%	23.54%
Net Profit for the Year	527.58	561.85	702.56
Net Profit Margin (%)	7.86%	9.31	11.81%
EPS - Basic & Diluted (₹)	27.54	29.42	36.62
RoCE (%)	19.37%	22.01%	29.69%
RONW (%)	16.87%	21.27%	33.32%
NAV (₹)	163.22	138.30	109.90
ROE (%)	16.90%	21.20%	33.23%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	Revenue from Operations FY 2024 (in Cr)	EPS	NAV	P/E	P/B	RoNW
Emcure Pharmaceuticals	19,061	6,658.25	27.54	156.13	36.13	6.5	16.87%
Dr. Reddy's Laboratories	1,06,246	28,011.10	335.22	1,693.75	19.0	3.7	19.74%
Cipla Limited	1,20,138	25,774.09	51.05	330.78	28.3	4.6	15.43%
Alkem Laboratories	58,874	12,667.58	150.19	862.46	31.1	5.7	17.41%
Torrent Pharmaceuticals	95,424	10,728.00	48.94	202.57	59.9	14.0	24.15%
Mankind Pharma	85,323	10,334.78	47.75	233.73	46.8	8.9	20.43%
Abbott India	58,497	5,848.91	565.28	1,740.71	48.7	15.8	32.48%
J.B. Chemicals & Pharma	27,778	3,484.18	35.66	188.37	50.2	9.44	18.90%

Date as on 31st March 2024, Cline Mcap,PE, calculated as on 02-07-2024

Emcure Pharmaceuticals Ltd, Revenue EPS/PE, P/B, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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